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Message Text

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ACTION OPIC-06

INFO OCT-01 EA-10 ISO-00 EB-08 COME-00 TRSE-00 CIAE-00
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E.O. 11652: N/A
TAGS: EINV, BEXP, RP
SUBJ: AVON INVESTMENT IN THE PHILIPPINES

REF: 77 STATE 051405, 77 MANILA 3490, 77 MANILA 3699

1. SUMMARY. PREVENTED FROM ENTERING THE PHILIPPINE MARKET BY A DOMESTIC COSMETIC MARKER (BEAUTIFONT), AVON APPEARS TO HAVE SOLVED THE PROBLEM BY BUYING OUT ITS OPPOSITION. AVON WILL PAY $5.2 MILLON,BUT MUST SWEAT OUT A ONE-MONTH PERIOD DURING WHICH ANY "VALID OBJECTION" CAN NEGATE THE DEAL. IN THE MEANTIME, BEAUTIFONT'S AUGUSTO SYJUCO HAS EMIGRATED TO CANADA. END SUMMARY.

2. IN 1977 AVON MADE A STRENUOUS EFFORT TO ENTER THE PHIL-IPPINE MARKET, BUT WAS REBUFFED BY THE STRONG OPPOSITION OF THE LEADING DOMESTIC COSMETIC PRODUCER, BEAUTIFONT. AVON VP ROBERT MCMILLAN CALLED ON THE DEPARTMENT AND SUBSEQUENTLY ON THE EMBASSY TO SEEK USG INTERVENTION. WE SOUGHT TO DISABUSE MCMILLAN OF THE IDEA THAT GOP, OR ANY GOVERNMENT, WOULD ASSIST A FOREIGN COMPANY TO ENTER ITS DOMESTIC MARKET OVER THE STRONG OPPOSITION OF A DOMESTIC COMPANY. SEE REFTELS. MCMILLAN HAS SINCE LEFT AVON.

3. AVON NOW APPEARS TO HAVE SUCCEEDED IN ENTERING THE
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PHILIPPINE MARKET. IT WILL BUY OUT BEAUTIFONT, OFFERING $3.8 MILLION FOR THE MARKETING COMPANY AND $1.4 MILLION FOR THE MANUFACTURING ARM, OR A TOTAL OF $5.2 MILLION. THE PURCHASE IS PORTRAYED AS "PERMISSIBLE" INVESTMENTS UN-DER THE FOREIGN INVESTMENTS REGULATIONS ACT ADMINISTERED BY THE BOARD OF INVESTMENTS. BOI CONDITIONED THE AVON PURCHASE ON THE REQUIREMENT THAT AVON EXPORT 75 MILLION

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PESOS DURING THE FIRST FIVE YEARS AND $2 MILLION ANNUALLY
THEREAFTER (ANY PRODUCT WILL DO), AND THAT FOREIGN EXCHANGE
DISBURSEMENTS SHALL NOT EXCEED 75 MILLION PESOS DURING
THE FIRST FIVE YEARS.

4. AVON'S APPLICATION FILED WITH BOI WAS DULY PUBLISHED
ON APRIL 12 IN THE "DAILY EXPRESS", TO BE REPEATED TWO
WEEKS LATER. IF, AFTER 15 DAYS AFTER THE LAST DATE OF
PUBLICATION, THERE IS NO VALID OBJECTION OR OPPOSITION,
BOI WOULD CONSIDER THE APPLICATIONS FOR FORMAL APPROVAL.

5. AVON REPRESENTATIVE BELIEVES THAT POSSIBLE OPPOSITION
MAY COME FROM JOSE GONZALEZ OF MONDRAGON INDUSTRIES,
GRECY TANTOCO OF RUSTAN (READ MRS. MARCOS), AND JOHN
GOKONGWEI OF CFC (ASPIRANT FOR SEAT ON SAN MIGUEL BOARD)
WHO HAS ESTABLISHED A NEW COSMETIC LINE CALLED "BOBBIE"
ONLY THE LATTER IS CONSIDERED A POTENTIALLY STRONG
OPPOSITOR.

6. MORE INTERESTING IS THE PUBLIC RELATIONS PROBLEM FOR
BEAUTIFONT WHICH FOUGHT AVON IN THE PAST ON NATIONALISTIC
GROUNDS AND HAS NOW SOLD OUT. ITS MAJOR SHAREHOLDER AND
CHAIRMAN, AUGUSTO SYJUCO, HAS SOLVED THE PROBLEM BY EMI-
GRATING TO CANADA AFTER SELLIING OUT HIS HOLDINGS, INCLUD-
ING THE PROFITABLE SEVEN UP BOTTLING COMPANY. SYJUCO, WHO
IS THE YOUNGER BROTHER OF GENERAL JOSE SYJUCO, WHO PRESIDED
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OVER THE MILITARY COMMISSION WHICH SENTENCED SEKATOR NINOY
AQUINO TO DEATH, HAS MANAGED TO AVOID ANY INTIMATION THAT
HE HAS DISSATISFIED WITH THE CURRENT REGIME AND APPEARS TO
HAVE LEFT WITHOUT STIRRING UP ANY VISIBLE FEELINGS ONE WAY
OR THE OTHER. GENERAL SYJUCO IS THE OTHER MAJOR STOCK-
HOLDER IN SEVEN UP AND BEAUTIFONT, AND APPARENTLY AGREED
TO THE SALES.

7. COMMENT: BEAUTIFONT IS A STRONG COMPANY WHICH SOMEHOW
MOTIVATES ITS SALES FORCE (WOMEN SELLING DOOR-TO-DOOR A LA
AVON). ITS ANNUAL GROWTH IN SALES HAS AVERAGED ABOUT 40
PERCENT, AND ITS PRODUCTION CANNOT KEEP UP WITH SALES COM-
MITMENTS. AVON IS, OF COURSE, PLEASE TO ACQUIRE SUCH A
STRONG COMPANY AND PLANS TO KEEP THE BEAUTIFONT LINE OF
PRODUCTS.
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